

The First UK Bus Pension Scheme

Chair's statement regarding the governance of defined contribution arrangements

Scheme year – 6 April 2023 to 5 April 2024

1. Introduction

- 1.1. This statement has been prepared by The FirstGroup Pension Scheme Trustee Limited, the Trustee of The First UK Bus Pension Scheme ("the Scheme"), to report on compliance with governance standards.
- 1.2. During the year, the FirstGroup Pension Scheme Trustee Limited replaced the First UK Bus Pension Scheme Trustee Limited as corporate trustee of the Scheme. References to "the Trustee" throughout this statement can relate to either trustee body.
- 1.3. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.4. This statement covers the Scheme year 6 April 2023 to 5 April 2024.

2. The Scheme's DC arrangements

- 2.1. Over the Scheme year, the Scheme's DC arrangements comprised the following:
 - 2.1.1. A DC Section ("the Bronze Section") which is operated by Aegon, was open to future contributions and was used as a qualifying workplace pension scheme for auto-enrolment purposes.
 - 2.1.2. A DC Section ("the Lifetime Savings Plan") which was also operated by Aegon, open to future contributions and used as an auto-enrolment scheme.
 - 2.1.3. Additional Voluntary Contribution ("AVC") arrangements provided by Prudential and Standard Life within the Scheme's defined benefit ("DB") Section. These AVC arrangements are closed to future contributions.
 - 2.1.4. Members with DC only protected rights benefits in the Scheme's DB Section.
- 2.2. The above are collectively referred to in this document as "DC arrangements" or "DC Sections" when relating solely to the DC arrangements operated by Aegon.
- 2.3. Following a review of the structure of the sponsoring employer's pension arrangements, a new occupational trust-based scheme, the First Bus Retirement Savings Plan ("FBRSP"), was established in September 2023. The Scheme closed to future contributions and subsequently contributions for all active members of the Scheme were paid into the FBRSP. All assets and members in the DC Sections noted in 2.1.1 and 2.1.2 were then transferred in bulk by the Trustee to the FBRSP in November 2023.
- 2.4. The AVCs referred to in paragraph 2.1.3 have subsequently been transferred to the FirstGroup Pension Scheme in May 2024.

3. The DC Sections' former default investment arrangements

- 3.1. The Scheme has previously had a number of default investment arrangements, however as the funds invested in these former strategies have been transferred away from the Scheme and the Scheme is no longer being used as a qualifying scheme for automatic enrolment purposes, **these are no longer considered to be default investment strategies at the end of the Scheme year.**

- 3.2. For members who were automatically enrolled into the Scheme's DC Sections and did not make an alternative selection, contributions made until September 2023 were invested in the Aegon BlackRock LifePath Flexi Funds ("LifePath Flexi").
- 3.3. LifePath Flexi was structured as target date funds across three-year maturity date windows, with the fund most closely aligned to a member's target retirement date being used. For example, a member with a target retirement date in 2026 would have been invested in the Aegon BlackRock LifePath Flexi Fund 2025 – 2027. Each target date fund invested in a broad mix of assets which were automatically rebalanced at different stages depending on the fund's maturity date window and was designed to be suitable for members flexibly accessing their DC benefits at retirement.
- 3.4. In addition to the LifePath Flexi Funds, there were two other default strategies which applied during the Scheme year under regulatory reporting requirements:
 - 3.4.1. The Aegon BlackRock LifePath Capital Funds ("LifePath Capital"). This was a version of the LifePath target date funds that targeted withdrawal of funds as a cash lump sum at retirement. This is the legacy default strategy which was retained for members who were within 10 years of their target retirement date when the default strategy was changed to the LifePath Flexi Funds.
 - 3.4.2. The Replacement Cash Fund, which was a deemed default. The Replacement Cash Fund invested in the same underlying building blocks as the DC Sections' self-select cash fund (UK Bus Cash Fund) but had been created as a separate share class. Therefore, the UK Bus Cash Fund was not itself considered a default.

Review of the default investment arrangement

- 3.5. The strategy and performance of the default were not formally reviewed over the Scheme year. This is carried out on a triennial basis and the last review concluded in May 2022. The outcome of the review was that the Trustee believed that the default investment arrangements and the self-select fund range has performed in line with its stated aims and objectives and remains appropriate for the membership.
- 3.6. While DC Section assets remained in the Plan, the Trustee monitored the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews were part of the regular governance of the Scheme and did not constitute part of the formal review of the default, which ordinarily followed a three-year cycle.

Further information on investments

- 3.7. Details of the new default and legacy default are set out in the Statement of Investment Principles attached to this statement. The Statement of Investment Principles covering the DC Sections' default arrangements was last reviewed and updated in September 2020.

4. Net investment returns

- 4.1. This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Scheme Year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

4.2. We have provided the net investment returns to 31 December 2023 for the DC Sections below, as this is the closest quarter-end to when the assets were transferred in bulk out of the DC Sections.

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Aegon BlackRock LifePath Capital	4.44	1.76	1.18
Aegon BlackRock LifePath Capital 2022-2024	4.75	0.70	3.10
Aegon BlackRock LifePath Capital 2025-2027	7.33	0.71	4.17
Aegon BlackRock LifePath Capital 2028-2030	9.15	1.10	5.28
Aegon BlackRock LifePath Capital 2031-2033	10.88	1.58	5.87
Aegon BlackRock LifePath Capital 2034-2036	11.95	2.46	6.59
Aegon BlackRock LifePath Capital 2037-2039	12.84	3.34	7.35
Aegon BlackRock LifePath Capital 2043-2045	14.84	5.19	8.82
Aegon BlackRock LifePath Capital 2046-2048	15.60	6.02	9.47
Aegon BlackRock LifePath Capital 2049-2051	16.26	6.49	9.88
Aegon BlackRock LifePath Capital 2052-2054	16.78	6.89	10.17
Aegon BlackRock LifePath Capital 2055-2057	16.92	7.06	10.30
Aegon BlackRock LifePath Capital 2058-2060	16.95	7.06	10.30
Aegon BlackRock LifePath Capital 2061-2063	16.95	7.06	10.30
Aegon BlackRock LifePath Flexi	8.46	-1.50	3.09
Aegon BlackRock LifePath Flexi 2022-2024	8.54	-0.96	3.80
Aegon BlackRock LifePath Flexi 2022-2024	8.48	-1.01	3.75
Aegon BlackRock LifePath Flexi 2025-2027	9.70	0.03	4.57
Aegon BlackRock LifePath Flexi 2028-2030	10.50	0.94	5.27
Aegon BlackRock LifePath Flexi 2031-2033	11.23	1.68	5.93
Aegon BlackRock LifePath Flexi 2034-2036	11.96	2.46	6.59
Aegon BlackRock LifePath Flexi 2037-203	12.85	3.34	7.35
Aegon BlackRock LifePath Flexi 2040-2042	13.91	4.29	8.09
Aegon BlackRock LifePath Flexi 2043-2045	14.84	5.19	8.82
Aegon BlackRock LifePath Flexi 2046-2048	15.60	6.02	9.47
Aegon BlackRock LifePath Flexi 2049-2051	16.25	6.50	9.88
Aegon BlackRock LifePath Flexi 2052-2054	16.78	6.89	10.16
Aegon BlackRock LifePath Flexi 2055-2057	16.92	7.07	10.30
Aegon BlackRock LifePath Flexi 2058-2060	16.95	7.06	10.29

Description	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
Aegon BlackRock LifePath Flexi 2061-2063	16.95	7.06	10.29
Aegon BlackRock LifePath Flexi 2064-2066	16.95	7.06	10.29
Aegon BlackRock LifePath Flexi 2067-2069	16.97	7.07	10.30
Aegon BlackRock LifePath Flexi 2070-2072	16.98	7.10	10.32
Aegon BlackRock LifePath Flexi 2073-2075	17.08	7.13	10.34
Aegon BlackRock LifePath Retirement 2025-27	8.26	-2.92	2.56
Aegon BlackRock LifePath Retirement 2028-30	9.76	-0.44	4.39
Aegon BlackRock LifePath Retirement 2031-33	11.15	1.68	5.92
Aegon BlackRock LifePath Retirement 2034-36	11.95	2.46	6.58
Aegon BlackRock LifePath Retirement 2037-39	12.84	3.34	7.34
Aegon BlackRock LifePath Retirement 2040-42	13.91	4.29	8.09
Aegon BlackRock LifePath Retirement 2043-45	14.83	5.19	8.81
Aegon BlackRock LifePath Retirement 2046-48	15.60	6.02	9.46
Aegon BlackRock LifePath Retirement 2049-51	16.25	6.50	9.87
Aegon BlackRock LifePath Retirement 2052-54	16.77	6.89	10.16
Aegon BlackRock LifePath Retirement 2055-57	16.92	7.06	10.29
Aegon BlackRock LifePath Retirement 2058-60	16.94	7.06	10.29
Aegon BlackRock LifePath Retirement 2061-63	16.94	7.05	10.29
UK Bus Cash (inc Replacement Cash Fund)	4.39	1.71	1.13
UK Bus Corporate Bonds	8.58	-5.29	0.11
UK Bus Diversified Growth	8.08	0.91	4.24
UK Bus EM Equity	7.32	2.61	5.28
UK Bus ESG Equity Fund *	16.15	-	-
UK Bus Global Equity	13.49	8.76	10.24
UK Bus Index Linked Gilts	-0.22	-13.80	-5.24
UK Bus Over 15 Year Gilts	1.21	-17.73	-6.71
UK Bus Property	1.33	1.72	1.00
UK Bus Shariah Global Equity	26.32	10.41	16.20

* This fund was introduced into the Scheme in September 2021 so longer-term performance is not available.

AVC arrangements – Prudential

4.3. The following table outlines information provided by Prudential regarding the net investment returns for members invested in these AVC arrangements.

Fund Name	1 Year net return	3 Year net return (% p.a)	5 Year net return (% p.a)
Prudential Deposit Fund	0.0%	0.0%	0.0%
Prudential With Profits Fund [1]	2.5%	1.7%	1.4%

[1] The value of a With Profits fund (and therefore each member's holding within the fund) is not directly exposed to fluctuations in the value of the underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (known as regular bonuses and final or terminal bonuses) which aim to provide members with a steady rate of return. Prudential has confirmed that the figures in the table above comprise the regular annual bonuses (after charges) applied to member's accounts. Any terminal bonus is not included in the net investment return calculation as it is not applied until the policy is out of force.

AVC arrangements – Standard Life

4.4. The following table outlines information provided by Standard Life regarding the net investment returns for members invested in these AVC arrangements.

Fund Name [1]	1 Year net return	3 Year net return (% p.a)	5 Year net return (% p.a)
Standard Life Pension Millennium With Profits Fund	2.25%	1.75%	1.35%
Standard Life Pension Millennium With Profits 2006 Fund	2.25%	1.75%	1.35%
Standard Life Pension With Profits Fund	4.00%	4.00%	4.00%
Standard Life Pension With Profits One Fund	2.25%	1.75%	1.35%

[1] As noted above, the value of a With Profits fund (and therefore each member's holding within the fund) is not directly exposed to fluctuations in the value of the underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (known as regular bonuses and final or terminal bonuses) which aim to provide members with a steady rate of return. Standard Life has confirmed that the figures in the table above comprise the regular annual bonuses (after charges) applied to member's accounts. Any terminal bonus is not included in the net investment return calculation as it is not applied until the policy is out of force.

DC only protected rights

4.5. The DC only protected rights benefits are notionally invested in the Scheme's DB Section within the overall investment portfolio. The following table provides the performance (net of fees) of the DB Section investments for periods to 31 March 2024, the nearest available quarter end to the year end:

	1 Year (%)	3 Years (% p.a)	5 Years (% p.a)
DB Section investments	-2.7	-9.4	-3.5

Figures shown are based on performance provided by the investment managers and Isio estimates

5. Core financial transactions

- 5.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 5.2. Core financial transactions over the year comprised the following:
 - 5.2.1. investment of DC contributions (before the DC Sections closed to new contributions)
 - 5.2.2. transfers into and out of the Scheme's DC arrangements.
 - 5.2.3. investment switches within the Scheme's DC arrangements.
 - 5.2.4. payments out of the Scheme's DC arrangements in respect of members.

Controls and monitoring arrangements – DC Sections

- 5.3. Over the Scheme year, the processing of the DC Sections' core financial transactions were largely undertaken by Aegon. Aptia (formerly Mercer), the administrators to the Scheme's Defined Benefit (DB) Section undertook some core financial transactions in relation to members with both DB and DC benefits.
- 5.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are as follows:
 - 5.4.1. The scope of Aegon's administration functions is recorded in detail in a process manual.
 - 5.4.2. The Trustee established robust processes for Aegon's reporting to, and monitoring by, the Defined Contribution Committee (DCC). This quarterly reporting includes information on the timeliness of contribution payments and their investment, service provision, data protection breaches and complaints.
 - 5.4.3. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Aegon. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Aegon in respect of the DC Sections. Aegon undertakes to ensure that at a minimum, 95% of all tasks are completed within the defined SLAs. The agreed SLAs for the core financial transactions identified in 5.2 above are as follows:

Core financial transaction	SLA criteria
Investment of contributions	100% of the contribution schedules processed within 1 day of receipt. 100% of BACS payment then processed within 2 days.
Transfer into the DC Sections	95% within 5 days
Transfer out of the DC Sections	90% within 1 day
Investment switches	100% within 1 day
Payments out of the Scheme	Claims have an SLA of 90% in 1 day Contribution refunds have an SLA of 95% in 5 days.

- 5.4.4. The Trustee considered these reports in detail as a regular item at its quarterly DCC meetings.
- 5.4.5. Administration is also a substantive item at Trustee meetings.
- 5.4.6. Administration is captured as part of the Scheme's risk register and risks specific to the DC Sections are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions. This is reviewed regularly and updated annually.

- 5.4.7. Both Aegon and Aptia have robust internal controls procedures in place, e.g. Aegon has procedures in place to check validity of benefit payments.
- 5.4.8. The Scheme's annual report and accounts is externally audited.
- 5.4.9. Aegon reconciles after each transaction. Aegon has a daily checklist that is run by their dealing team to verify that all dealing activities are completed accurately and on a timely basis.
- 5.4.10. The Scheme's membership data is subject to an annual audit and data improvement processes, where required. Membership data is also reviewed after special data projects and prior to submitting the Scheme Return.

Performance during the scheme year

- 5.5. Aegon's performance against the agreed SLAs for the core financial transactions over the full quarters in which the DC Sections' assets remained in the Scheme are set out below:

Core financial transaction	Quarter 2 2023	Quarter 3 2023
Investment of contributions (regular contribution schedule)	100%	100%
Investment of other incoming payments	100%	95%
Transfers out	98%	99%
Investment switches	100%	100%
Payments out (claims)	98%	99%
Payments out (contribution refunds)	100%	94%

- 5.6. Aegon also provided the Trustee details of its monthly Net Promoter Score, a measure commonly used to gauge customer satisfaction. This scored as +38 in September 2023, on a range where positive scores are felt to be good and scores of +50 are excellent.
- 5.7. Within its quarterly reporting, Aegon provided a summary of complaints upheld and how these have been resolved.

AVC and Protected Rights arrangements

- 5.8. The Trustee has delegated the administrative oversight of the DB Section's AVC arrangements and protected rights benefits to Aptia.
- 5.9. Aptia reports back to the Trustee as part of the quarterly Trustee meetings with any specific issues relating to the administration of these benefits. Monitoring of core financial transactions relating to the AVC arrangements is challenging, as there is very limited reporting available from the providers.
- 5.10. No material issues were reported during the scheme year.

Trustee assessment of core financial transactions

- 5.11. In view of the controls and monitoring arrangements and the lack of material issues reported throughout the year the Trustee believes that overall core financial transactions have been processed promptly and accurately.

6. Member-borne charges and transaction costs

- 6.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

6.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

6.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges and transaction costs - DC Sections

6.2. The following table provides details of the charges (at the point the assets were bulk transferred to the FBRSP) and transaction costs (over the year to 31 March 2024) applied to each of the investment options provided through the DC Sections, split between the default strategies and self-select options. This data has been sourced from Aegon.

Former Default Funds	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Flexi	0.41%	0.0265%
Aegon BlackRock LifePath Flexi 2022-2024	0.41%	0.0147%
Aegon BlackRock LifePath Flexi 2025-2027	0.41%	0.0255%
Aegon BlackRock LifePath Flexi 2028-2030	0.41%	0.0312%
Aegon BlackRock LifePath Flexi 2031-2033	0.41%	0.0349%
Aegon BlackRock LifePath Flexi 2034-2036	0.41%	0.0376%
Aegon BlackRock LifePath Flexi 2037-2039	0.41%	0.0397%
Aegon BlackRock LifePath Flexi 2040-2042	0.41%	0.0415%
Aegon BlackRock LifePath Flexi 2043-2045	0.41%	0.0415%
Aegon BlackRock LifePath Flexi 2046-2048	0.41%	0.0413%
Aegon BlackRock LifePath Flexi 2049-2051	0.41%	0.0395%
Aegon BlackRock LifePath Flexi 2052-2054	0.41%	0.0400%
Aegon BlackRock LifePath Flexi 2055-2057	0.41%	0.0348%
Aegon BlackRock LifePath Flexi 2058-2060	0.41%	0.0548%
Aegon BlackRock LifePath Flexi 2061-2063	0.41%	0.0547%
Aegon BlackRock LifePath Flexi 2064-2066	0.41%	0.0547%
Aegon BlackRock LifePath Flexi 2067-2069	0.41%	0.0546%
Aegon BlackRock LifePath Flexi 2070-2072	0.41%	0.0544%
Aegon BlackRock LifePath Flexi 2073-2075	0.41%	0.0537%

Alternative Former Default Funds	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Capital	0.33%	0.0155%
Aegon BlackRock LifePath Capital 2022-2024	0.41%	0.0149%
Aegon BlackRock LifePath Capital 2025-2027	0.41%	0.0207%
Aegon BlackRock LifePath Capital 2028-2030	0.41%	0.0275%
Aegon BlackRock LifePath Capital 2031-2033	0.41%	0.0339%
Aegon BlackRock LifePath Capital 2034-2036	0.41%	0.0376%
Aegon BlackRock LifePath Capital 2037-2039	0.41%	0.0397%
Aegon BlackRock LifePath Capital 2043-2045	0.41%	0.0415%
Aegon BlackRock LifePath Capital 2046-2048	0.41%	0.0413%
Aegon BlackRock LifePath Capital 2049-2051	0.41%	0.0395%
Aegon BlackRock LifePath Capital 2052-2054	0.41%	0.0400%
Aegon BlackRock LifePath Capital 2055-2057	0.41%	0.0348%
Aegon BlackRock LifePath Capital 2058-2060	0.41%	0.0548%
Aegon BlackRock LifePath Capital 2061-2063	0.41%	0.0547%
Replacement Cash Fund	0.30%	0.0155%

Self Select Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Retirement 2025-2027	0.41%	0.0392%
Aegon BlackRock LifePath Retirement 2028-2030	0.41%	0.0383%
Aegon BlackRock LifePath Retirement 2031-2033	0.41%	0.0368%
Aegon BlackRock LifePath Retirement 2034-2036	0.41%	0.0376%
Aegon BlackRock LifePath Retirement 2037-2039	0.41%	0.0397%
Aegon BlackRock LifePath Retirement 2040-2042	0.41%	0.0415%
Aegon BlackRock LifePath Retirement 2043-2045	0.41%	0.0415%
Aegon BlackRock LifePath Retirement 2046-2048	0.41%	0.0413%
Aegon BlackRock LifePath Retirement 2049-2051	0.41%	0.0395%
Aegon BlackRock LifePath Retirement 2052-2054	0.41%	0.0400%
Aegon BlackRock LifePath Retirement 2055-2057	0.41%	0.0348%
Aegon BlackRock LifePath Retirement 2058-2060	0.41%	0.0548%

Self Select Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Retirement 2061-2063	0.41%	0.0547%
UK Bus Cash	0.30%	0.0155%
UK Bus Corporate Bond	0.61%	0.1000%
UK Bus Diversified Growth	0.59%	0.2905%
UK Bus EM Equity	0.90%	0.0666%
UK Bus ESG Equity Fund	0.42%	0.0592%
UK Bus Global Equity	0.36%	0.0585%
UK Bus Index Linked Gilts	0.36%	0.0000%
UK Bus Over 15 Year Gilts	0.36%	0.0187%
UK Bus Property	1.03%	0.0656%
UK Bus Shariah Global Equity	0.65%	0.0147%

- 6.3. In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.
- 6.4. The Trustee has previously benchmarked the member charges to ensure the Scheme remains competitively priced relative to the market. As part of this process, the Trustee negotiated a reduction in charges and this was implemented by Aegon for members in the FBRSP when it was set up in September 2023.

AVC arrangements costs and charges – Prudential

- 6.5. Scheme members that hold AVC benefits with Prudential are invested in one, or a combination, of the funds below. Details of the charges and transaction costs quoted by Prudential for each of these funds is provided in the table below:

Fund name	TER	Transaction costs	Effective date [1]
Prudential Deposit Fund	Nil – taken into account in the interest payable to members	0.00%	31/12/2023
Prudential With-Profits Cash Accumulation Fund	No explicit TER as charges are deducted before bonuses are applied to members' benefits, however they are estimated to be in the region of 1%	0.16%	31/12/2023

[1] Prudential has only been able to provide transaction cost information as at 31 December 2023 in time for production of this statement.

AVC arrangements costs and charges – Standard Life

6.6. Scheme members that hold AVC benefits with Standard Life are invested in one or more of the below funds. Details of the charges and transaction costs quoted by Standard Life for each of these funds is provided in the table below:

Fund name	TER	Transaction costs	Effective date
Standard Life Pension Millennium With Profits Fund	Standard Life does not quote an explicit TER for their range of with-profits funds as charges are taken into account prior to the addition of bonuses.	0.04%	31/03/2024
Standard Life Pension Millenium With Profits 2006 Fund		0.04%	31/03/2024
Standard Life Pension With Profits Fund		0.09%	31/03/2024
Standard Life Pension With Profits One Fund		0.04%	31/03/2024

DC only protected rights benefits

6.7. As these benefits are notionally invested within the DB Section investment portfolio and are valued in respect of the performance of the overall portfolio, the charges are not directly deducted from members' funds in the same way as for the DC Sections. As a guide however, the DB Section's estimated investment management fees over the 2023 calendar year was 0.7% of total assets under management. Further details of the funds used within the DB Section are included within the Trustee Report & Accounts document.

Impact of costs and charges

6.7. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the Appendix.

7. Value for members

7.1. In previous years, the Trustee has undertaken its annual assessments to determine the extent to which the charges and transaction costs borne by members in the DC Sections represent good value and has found that good value for members is provided. The last of these annual assessments was considered and confirmed at a meeting on 7 September 2023.

7.2. Following a request from the Company for the Trustee to bulk transfer the DC Sections' assets from the Scheme to the FBRSP, the Trustee took professional advice, delivered in July 2023, on the suitability of this course of action, with any impact on value for members a key consideration. The advice concluded that there would be no detrimental impact on value for members as the FBRSP was being set up to replicate the operational structure of the Scheme's DC Sections, maintaining such features as the provider, fund range, charges and benefit options. Aegon were able to transfer the assets between schemes via re-registration of units so no one-off costs were incurred by members as a result. Future assessments of value of the former DC Sections' benefits will be undertaken by the FBRSP Trustee.

7.3. In the September 2023 assessment, the Trustee concluded that the AVC arrangements offer reasonable value in relation to the charges and transaction costs borne by members. The Trustee recognised that the size and closed nature of the AVC arrangements, as well as the inherent guarantees attached to many of the funds used, means that there is likely to be limited opportunities to improve VFM through a change of provider, therefore it will continue to review these AVC arrangements to ensure they remain suitable for members. In May 2024, the AVC arrangements were transferred to the FirstGroup Pension Scheme, and future assessments of value will be undertaken by its trustee.

8. Trustee knowledge and understanding

The Trustee Board

- 8.1. The FirstGroup Pension Scheme Trustee Limited is a trustee company which was appointed corporate trustee of the Scheme during the year, replacing The First UK Bus Pension Scheme Trustee Limited. This change was made as part of the process of merging the Scheme with the FirstGroup Pension Scheme on a sectionalised basis and discharging the DC Sections' benefits to the FBRSP. Martin Carroll and Richard Soper acted as co-chairs of both trustee bodies over the Scheme year.
- 8.2. The Trustee has operated a number of sub committees, whose powers and objectives have been documented in each committee's terms of reference. This included a DC Committee which met quarterly to consider issues pertinent to the Scheme's DC arrangements and reported back to the full trustee board at each meeting. The DC Committee was dissolved after the bulk transfer of the DC Sections to the FBRSP.

Trustee knowledge and understanding requirements

- 8.3. Trustee Directors are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets. The approach taken by the Trustee to satisfying these requirements in relation to the Scheme's DC benefits prior to the bulk transfer to the FBRSP is outlined below.

Approach

- 8.4. All Trustee Directors are required to sign an individual Trustee Declaration of Fitness to act on an annual basis.
- 8.5. The Trustee Directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles, the Risk Register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the scheme year and access to professional advice.
- 8.6. The Trustee maintains a training log and consults with its professional advisers to identify any Trustee or individual Trustee Director training needs with a view to upcoming agenda items. The training needs are reviewed regularly by the Trustee to ensure they are relevant and DC focussed. Training is reviewed and logged at each quarterly Trustee meeting.
- 8.7. On an ad-hoc basis, the Trustee Directors take part in a Trustee Effectiveness Review which is run by one of the Co-Chairs.
- 8.8. Each Trustee Director in place during the Scheme year has completed all modules of the Pensions Regulator's Trustee Toolkit programme. Newly appointed Trustee Directors are expected to complete the Trustee Toolkit within six months of appointment.
- 8.9. Trustee Directors supplement the Scheme-specific training provided at Trustee meetings with activities such as attending seminars and conferences and reading pensions-related articles.
- 8.10. Additionally, the Scheme has in place a structured induction process for new Trustee Directors. Training is carried out by the Company Pension Team and there is a Trustee Induction Policy which sets out what is required of the Trustee Director.
- 8.11. Over the Scheme year and throughout the process to transfer the DC Sections' benefits, the Trustee Directors regularly sought advice with their professional advisers, on consultancy, governance and legal

matters pertaining to the DC benefits. Professional advisers have proactively alerted the Trustee of specific issues relating to the transfer and provided advice and training as required.

- 8.12. The Trustee Directors have also received updates on the market landscape and regulatory changes relevant to DC workplace pension schemes on a quarterly basis from their advisers and Aegon has provided regular updates on developments to the services they provided to the Trustee and members. Several Trustee Directors attended external seminars and conferences run throughout the year.
- 8.13. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements and has included a mixture of generic and bespoke training sessions. This ensures that the Trustee has sufficient knowledge and understanding in of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.

Assessment

- 8.14. The Trustee considers that the combined knowledge of the Trustee Directors, together with access to professional advice, enables it to properly exercise its Trustee functions in the following ways:
 - 8.14.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively
 - 8.14.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties
 - 8.14.3. The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

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Martin Carroll

Co-Chair

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Richard Soper

Co-Chair

For and on behalf of The FirstGroup Pension Scheme Trustee Limited

Date

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the remaining DC benefits in the Scheme at the end of the Scheme year were analysed in determining the parameters to be used.

A1.3. Pot size: a pot size of £5,000 have been used; this represents the average pot value (rounded to the nearest £1,000) of members.

A1.4. Contributions: The Scheme is closed to new contributions, so the illustrations assume no further contributions are made.

A1.5. Timeframe: the illustrations are shown over a 20-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

A1.6. Investment options: the investment options selected for the illustrations are the highest charged fund and the lowest charged fund identified from the remaining DC benefits in the Scheme. The Scheme no longer has a default investment strategy.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost **
Prudential Deposit Fund	Lowest charged fund	-2.50%	0.00%	0.00%
Prudential With-Profits Cash Accumulation Fund	Highest charged fund	2.50%	1.00%	0.14%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2024 Statutory Money Purchase Illustrations (SMPs).

** Average transaction costs over the last 5 years have been used.

Guidance to the illustrations

A1.7. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.8. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.

A1.9. Values shown are estimates and not guaranteed.

A1.10. The illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Highest Charged Self Select Fund – Prudential With-Profits Cash Accumulation Fund

Years of investment	Starting pot size: £5,000 Future contributions: No	
	Before charges	After charges
0	£5,000	£5,000
1	£5,244	£5,188
5	£6,344	£6,015
10	£8,050	£7,236
15	£10,215	£8,705
20	£12,962	£10,473

Note on how to read this table: If a member had £5,000 invested in the Prudential With-Profits Cash Accumulation Fund, when they came to retire in 10 years the savings pot could grow to £8,050 if no charges are applied but to £7,236 with charges applied.

Lowest Charged Self Select Fund – Prudential Deposit Fund

Years of investment	Starting pot size: 50,000 Future contributions: No	
	Before charges	After charges
0	£5,000	£5,000
1	£4,878	£4,878
5	£4,419	£4,419
10	£3,906	£3,906
15	£3,452	£3,452
20	£3,051	£3,051

Note on how to read this table: If a member had £5,000 invested in the Prudential Deposit Fund, when they came to retire in 10 years the savings pot could be worth £4,419 if no charges are applied or with charges applied.